

# Office of the Comptroller Directive No. 3-08

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# Office of the Comptroller Directive No. 3-08

## Directive Compliance Guidelines for State Agencies

### Introduction

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#### Subject

This Directive addresses State agencies' responsibilities for submitting financial statement templates and other financial information to the Department of Accounts (DOA).

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#### Purpose

To provide guidance to State agencies for submitting the following items to DOA to assist in the preparation of the Commonwealth's Comprehensive Annual Financial Report (CAFR):

- Financial statement templates (Attachments 9-13)
- Other attachments
- Supplemental information

Financial statement templates (Attachments 9-13), other attachments, and supplemental information must be prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

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#### SAS 112

Statement on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 112) states that the identification by the auditors of a material misstatement is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. This includes misstatements involving estimation and judgments. This also includes restatements of previously issued financial statements to reflect a correction of a material misstatement. This applies to whether the auditors or the agency discovers the restatement. (**Note:** This does not apply to a change in accounting principle to comply with a new accounting principle or a voluntary change from one GAAP to another.) Agencies must ensure controls are in place to avoid material misstatements and / or misclassifications in the financial statement template(s).

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## Introduction, Continued

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### Agency compliance

Agencies are required pursuant to Section 2.2-803 and Section 2.2-813 of the *Code of Virginia* (1950), as amended, to submit financial statement templates and / or other financial information for the following reasons:

- The financial information required by this Directive is necessary for DOA to prepare the CAFR.
  - The bond rating agencies use the CAFR to determine Virginia's bond rating. Maintaining an unqualified opinion on the CAFR is critical to Virginia retaining its AAA bond rating.
  - The bond rating agencies require that parts of the CAFR be included in bond offering statements.
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### Applicability

This Directive applies to **all State agencies**.

**Exemption** – This Directive does **not** apply to those **commissions** and **boards** that receive one annual appropriation disbursement from the Commonwealth.

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### Policy

For year-end closing, financial statement template, other attachment, and / or supplemental information preparation, all State agencies must comply with the following guidelines. These are described in detail on the following pages:

- Reconciliation to CARS
  - Preparation of Attachments
  - Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13)
  - **GASBS No. 33** – Nonexchange Transactions Overview
  - **GASBS No. 34** – Financial Reporting Model Overview
  - **GASBS No. 42** – Impairment of Capital Assets and Insurance Recoveries Overview
  - Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates
  - Supplemental Information
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## Introduction, Continued

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<b>Effective date</b>	The Directive is effective for the fiscal year ended June 30, 2008, and thereafter. This Directive rescinds and replaces Office of the Comptroller Directive No. 3-07, <i>Financial Statement Preparation for State Agencies</i> .
<b>Failure to comply</b>	If an agency fails to comply with the requirements of this Directive, the Comptroller may disclose such failure in the <i>Quarterly Report on Statewide Financial Management and Compliance</i> .
<b>Directive availability</b>	This Directive is available at <a href="http://www.doa.virginia.gov">www.doa.virginia.gov</a> . Fiscal officers are notified via e-mails. The Commonwealth Accounting and Reporting System (CARS) users are notified via the CARS Broadcast Screen.
<b>Questions</b>	<p>Douglas N. Page Assistant Director, Financial Reporting Voice: (804) 225-3136 E-mail: <a href="mailto:doug.page@doa.virginia.gov">doug.page@doa.virginia.gov</a></p> <p>John J. Sotos Assistant Director, Financial Reporting Voice: (804) 225-2111 E-mail: <a href="mailto:john.sotos@doa.virginia.gov">john.sotos@doa.virginia.gov</a></p> <p>Sharon H. Lawrence Director, Financial Reporting Voice: (804) 225-2414 E-mail: <a href="mailto:sharon.lawrence@doa.virginia.gov">sharon.lawrence@doa.virginia.gov</a></p>

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## Introduction, Continued

### Submission information

Except as noted on specific attachments, DOA **requires** the agency to e-mail financial statement templates (Attachments 9-13), other attachments, and / or supplemental information.

DOA will also notify agencies if submissions do not meet the specified standards. If a submission is deemed unacceptable and rejected by DOA, the agency will be provided a short window of opportunity to resubmit the information in a manner that adequately addresses the deficiencies noted by DOA.

As in previous years, e-mail submissions are required for all submissions unless an individual submission indicates otherwise. Agencies should only submit **one** copy of each submission to DOA. Please note the e-mail addresses below:

Submission	E-mail Address
Financial Statement Templates	<a href="mailto:finrept-agyatt@doa.virginia.gov">finrept-agyatt@doa.virginia.gov</a>
Other Attachments	<a href="mailto:Finrept-agyatt@doa.virginia.gov">Finrept-agyatt@doa.virginia.gov</a>
Supplemental Information	<a href="mailto:finrept-agysupp@doa.virginia.gov">finrept-agysupp@doa.virginia.gov</a>
All other correspondence	<a href="mailto:finrept@doa.virginia.gov">finrept@doa.virginia.gov</a>

DOA will e-mail a confirmation of receipt for each electronic submission. Agencies should follow up with DOA if the agency does not receive a confirmation. **Agencies should not submit paper copies of e-mailed attachments.**

Agencies should copy the Auditor of Public Accounts (APA) on all e-mail submissions at: [APAFinRept@apa.virginia.gov](mailto:APAFinRept@apa.virginia.gov).

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## Introduction, Continued

### Revision requirements

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If revisions are made to the attachments subsequent to DOA acknowledgement of receipt **and** acceptance of the original submission, then perform the following steps:

1. Include “**REVISED – date**” in the **subject line** of the e-mail as well as in the **file name**. Resubmit the revised attachment; and
2. Ensure that the **Revision Control Log** tab has been completed.

Each time a revision is submitted, the **Certification** tab should be updated with new signatures and dates.

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## Reconciliation to CARS

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### What is required?

The following requirements apply to the reconciliation of CARS:

- Reconcile, where appropriate, all internally prepared accounting records, data submission logs, and other accounting data to reports produced by CARS. Reconciling includes posting adjustments to CARS so it agrees to the reconciled balance. For further information see CAPP Topic 20905, *CARS Reconciliation Requirements*.
  - Perform and certify these reconciliations to DOA monthly and at fiscal year-end. When agencies certify that the reconciliation was performed, they are certifying that:
    - On monthly reconciliations all necessary corrections identified as a result of the reconciliation have been included as an “exception” with the confirmation OR will be submitted on an Agency Transaction Voucher (ATV) or Inter-Agency Transaction (IAT). Any correction that can be made on an ATV or IAT may not appear as an exception. The agency should process any necessary ATVs or IATs and not submit those items with the confirmation. Agency reconciliation procedures should be sufficient so that, after the agency processes all correcting ATVs and IATs and after DOA processes exceptions submitted with the confirmation, the fiscal officer can certify that CARS balances will be correct. These corrections must be submitted within two weeks following the exception register due date. For May, this will be mid-July.
    - On the June fiscal year-end reconciliation certification all corrections must be submitted by the final reconciliation due date as communicated in DOA’s annual fiscal year-end closing procedures memorandum to agencies. All corrections must be posted to the fiscal year for which the certification is applicable.
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## Preparation of Attachments

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### **Purpose and requirements**

Most agencies are not required to prepare financial statement templates (Attachments 9-13). Agencies that are not required to prepare financial statement templates for specified funds are required to submit other attachments for DOA to gather financial information needed for the CAFR.

- Attachments must comply with applicable GASB Statements.
- Attachments must be in the format provided in this Directive.

Once again, except as otherwise noted on specific attachments, DOA requires the agency to e-mail the submissions to DOA. **Agencies should not submit paper copies of e-mailed attachments.** All attachments must be sent to DOA and copied to the APA **except** for Attachment 31, Report of Financial Condition, which must be sent **only** to the APA.

**To prevent rounding errors, ALL dollar amounts reported to DOA must be whole numbers that are rounded to the nearest dollar. The attachments require whole numbers.**

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## Preparation of Attachments, Continued

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**Overall changes** A detailed listing of changes and items of interest was e-mailed to fiscal officers and is posted on DOA's website at [www.doa.virginia.gov](http://www.doa.virginia.gov). Click on the "Financial Statement Directives" link.

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**Government-wide revenue classification per GASBS No. 34** As in the prior year, information from last year's submissions and CARS activity was analyzed and is posted on DOA's website at [www.doa.virginia.gov](http://www.doa.virginia.gov) as the [GASBS No. 34 Government-wide Revenue Classification Table](#). Click on the "Financial Statement Directives" link. When completing attachments that require **GASBS No. 34** government-wide revenue classifications, refer to this table for proper classification.

Review of this table is required in Attachment 1 and DOA must be notified if there are changes.

**Note: This table will be available in mid-July 2008.**

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**Fund descriptions spreadsheet** As in the prior year, a listing by agency and fund / fund detail with a description of the funds activity is posted on DOA's website at [www.doa.virginia.gov](http://www.doa.virginia.gov) as the [Fund Description Spreadsheet](#). Click on the "Financial Statement Directives" link. It is important that each fund's usage be up-to-date so it can be properly classified in the CAFR.

Review of this table is required in Attachment 1 and DOA must be notified if there are changes.

**Note: This table will be available in early-July 2008.**

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**New attachments** **Attachment 4, 2007** Off-Balance Sheet Financial Obligations, will be used to capture information in accordance with §2.2-813.2 of the *Code of Virginia*.

**Attachment 21**, Schedule of Prepayments as of June 30, will be used to capture financial information on prepayments.

**Attachment 33, 2008** Off-Balance Sheet Financial Obligations, will be used to capture information and to verify that there were not changes needed in accordance with §2.2-813.2 of the *Code of Virginia*.

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## Preparation of Attachments, Continued

### Due dates

The attachment due dates are detailed below:

<i>Prior Year Attachment</i>	<i>Current Year Attachment</i>	<i>Attachment Name</i>	<i>Due Date</i>
1	1	Checklist to Determine Information Required by Comptroller's Directive	July 17
2	2	Contact Survey	July 17
3	3	<b>GASBS No. 14</b> Checklist Modified to Reflect <b>GASBS No. 39</b>	July 17
N/A	4	<b>2007</b> Off-Balance Sheet Financial Obligations	July 17
4	5	Energy Performance Contracts	July 31
5	6	Leave Liability Statement – CIPPS and Non-CIPPS Users	July 31
6	7	Schedule of Outstanding Installment Purchase Obligations	July 31
7	8	Schedule of Inventory on Hand as of June 30	July 31
8	9	Governmental Fund Financial Statement Template	August 14
9	10	Enterprise Fund Financial Statement Template	August 14
10	11	Internal Service Fund Financial Statement Template	August 14
11	12	Private-purpose Trust Fund Financial Statement Template	August 14
12	13	Agency Fund Financial Statement Template	August 14
13	14	Capital Asset Accounting and Control System (FAACS) Analysis	August 14
13A	14A	Impairment of Capital Assets	August 14
14	15	Federal Schedules	August 14
15	16	<b>GASBS No. 33</b> Expenditure and Revenue Analysis	August 14
16	17	<b>GASBS No. 38</b> Short-term Debt	August 14
17	18	Insurance Recoveries	August 14
18	19	Internal Service Funds – Conversion to Government-wide Statement of Activities	August 21
19	20	Management Discussion and Analysis	August 21
N/A	21	Schedule of Prepayments as of June 30	August 28
20	22	Receivables as of June 30	August 28
21	23	Schedule of Retainage Payable	August 28
22	24	Schedule of Cash, Cash Equivalents, and Investments at June 30	August 28
23	25	Donor-restricted Endowments	August 28
24	26	<b>GASBS No. 33</b> Federal Fund Analysis – Non-reimbursement Grants	September 18
25	27	Government-wide Payables and Other Accruals at June 30	September 18
26	28	Direct Billed Central Services	September 18
27	29	Internal Control Statement	October 16
28	30	Adjustments	October 16
29	31	Report of Financial Condition	October 16
30	32	Supplemental Information – Revision Control Log	As revisions made
N/A	33	<b>2008</b> Off-Balance Sheet Financial Obligations	January 22, 2009

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# Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13)

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## Introduction

This section is divided into the following areas:

- Agencies required to submit templates
- General financial statement template guidelines
- **GASBS No. 28** reporting for securities lending amounts invested in the General Account
- **GASBS No. 33** and **GASBS No. 36**
- **GASBS No. 34** / **GASBS No. 37** / **Interpretation No. 6**
- **GASBS No. 38**
- **GASB Technical Bulletin 2003-1**, *Disclosure Requirements for Derivatives Not Presented at Fair Value on the Statement of Net Assets*
- **GASBS No. 39**
- **GASBS No. 40**
- **GASBS No. 42**
- **GASBS No. 43**
- **GASBS No. 44**
- **GASBS No. 45**
- **GASBS No. 46**
- **GASBS No. 47**
- **GASBS No. 48**
- **GASBS No. 49**
- **GASBS No. 50**
- **GASBS No. 51**
- **GASBS No. 52**
- Guidelines for financial statement template work papers

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

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### Agencies required to submit templates

Agencies listed on the following pages are required to submit GAAP basis financial statement templates. In some instances, templates are required only for specific fund(s) within an agency. The table on the following pages indicates the specific reporting requirements for each agency.

**If the agency is not listed on the following pages and has off-CARS activity, then the agency must notify Doug Page, Assistant Director of Financial Reporting, at (804) 225-3136 or John Sotos, Assistant Director of Financial Reporting, at (804) 225-2111, or Sharon Lawrence, Director of Financial Reporting, at (804) 225-2414. The agency may be required to prepare GAAP basis financial statement templates in accordance with this Directive.**

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

### Agencies required to submit templates (Continued)

Agency / Fund	Fund Type	Attachment Number
<b>Department of Accounts (See Supplemental Information section)</b> Line of Duty OPEB	Fiduciary	Separate Communication
<b>Department of Agriculture</b> Milk Commission—Producer Recovery / Equalization Fund	Agency	13
<b>Department of Alcoholic Beverage Control</b>	Enterprise	10
<b>Department of Aviation</b> Aviation LGIP Funds	Agency	13
<b>Department for the Blind and Vision Impaired</b> Special Revenue Fund	Special Revenue	9
Virginia Industries for the Blind	Enterprise	10
<b>Department of Conservation and Recreation</b> State Parks Projects Fund	Special Revenue	9
Chippokes Plantation Farm Foundation	Special Revenue	9
<b>Department of Corrections (See Supplemental Information section)</b> Commissary Fund	Special Revenue	9
Inmate & Ward Trust Fund	Agency	13
<b>Department of Environmental Quality</b> Title V Air Pollution Permit Fund	Enterprise	10
<b>Department of General Services</b> Virginia War Memorial	Special Revenue	9
eVA	Enterprise	10
Newborn Screening / Consolidated Laboratory	Enterprise	10
Fleet Management	Internal Service	11
<b>Property Management</b> (Real Estate Services, Maintenance & Repair)	Internal Service (Combining)	11
<b>General Services</b> (Virginia Distribution Center, Consolidated Laboratory Water Testing, Office of Graphic Communications, Federal Surplus Property, State Surplus Property, Engineering Services)	Internal Service (Combining)	11
<b>Department of Housing and Community Development</b> Virginia Individual Development Account Trust Fund (Fund 0726)	Agency	13

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

### Agencies required to submit templates (Continued)

Agency / Fund	Fund Type	Attachment Number
<b>Department of Human Resource Management (See Supplemental Information section)</b>		
Local Choice Health Care	Enterprise	10
Health Insurance Fund (excluding OPEB)	Internal Service	11
Workers' Compensation	Internal Service	11
Pre-Medicare Retiree Healthcare OPEB	Fiduciary	Separate Communication
<b>Department of Juvenile Justice</b>		
Commissary Fund	Special Revenue	9
Donation Trust Fund	Special Revenue	9
J. Bryan Trust Fund	Special Revenue	9
Inmate and Ward Trust Fund	Agency	13
<b>Department of MHMR and SAS – Local Funds:</b>		
Special Revenue Fund	Special Revenue	9
Permanent Fund	Permanent	9
Canteen and Local Activity Fund	Enterprise	10
Non-patient Agency Fund	Agency	13
Patient / Resident Fund	Agency	13
<b>Department of Mines, Minerals, and Energy</b>		
Mined Land Deposit Trust Fund	Agency	13
<b>Department of Motor Vehicles</b>		
All Off-CARS funds (contractor deposits)	Agency	13
<b>Department of Professional and Occupational Regulation</b>		
Contractor's Transaction Recovery Act Fund	Special Revenue	9
Virginia Real Estate Transaction Recovery Fund	Special Revenue	9
<b>Department of Transportation</b>		
GLA 540 – Guarantee Deposits	Agency	13
<b>Department of Treasury (See Supplemental Information section)</b>		
Virginia Public Building Authority – Capital Projects	Capital Projects	Separate Communications
Virginia Public Building Authority – Debt Service	Debt Service	Separate Communications
Risk Management Enterprise Funds	Enterprise	10
Risk Management Internal Service Funds	Internal Service	11
Unclaimed Property of the Commonwealth	Private Purpose	12
Unclaimed Property of Other States	Agency	13
Deposits of Insurance Carriers (Insurance Collateral)	Agency	13
Third Party Administrator (Commuter Rail and Van Pool)	Agency	13

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

### Agencies required to submit templates (Continued)

Agency / Fund	Fund Type	Attachment Number
<b>Department of Veterans Services</b>		
Off CARS Sitter Barfoot Veterans Care Center Resident Fund	Agency	13
Off CARS Virginia Veterans Care Center Resident Fund	Agency	13
<b>Gunston Hall</b>		
Off-CARS Museum Collections Fund	Special Revenue	9
<b>Library of Virginia</b>		
Virginia Shop	Enterprise	10
<b>Rehabilitation Center for the Blind and Vision Impaired</b>		
Virginia Rehabilitation Center for the Blind Trust Fund	Special Revenue	9
<b>Science Museum of Virginia</b>		
Gift Shop Enterprise Fund	Enterprise	10
<b>State Lottery Department</b>	Enterprise	10
<b>Virginia College Savings Plan</b>		
Virginia Prepaid Education Program	Enterprise	10
Virginia Education Savings Trust and College America	Private-purpose	12
<b>Virginia Correctional Enterprises</b>	Internal Service	11
<b>Virginia Employment Commission</b>		
Unemployment Compensation	Enterprise	10
<b>Virginia Information Technologies Agency</b>		
Wireless E-911 Service Board	Enterprise	10
VITA	Internal Service	11
<b>Virginia Museum of Fine Arts</b>		
Special Revenue Fund	Special Revenue	9
Gift Shop & Food Services	Enterprise	10
<b>Virginia School for the Deaf, Blind, and Multi-Disabled at Hampton – All Off-CARS Funds:</b>		
Agency Fund	Agency	13
<b>Virginia State Bar</b>		
Clients' Protection Fund	Special Revenue	9
Administration Finance Fund	Special Revenue	9
<b>Woodrow Wilson Rehabilitation Center</b>		
Off-CARS Agency Fund	Agency	13

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

### General financial statement template guidelines

The following guidelines apply to the GAAP basis financial statement templates that agencies prepare and submit to DOA:

- Prepare all financial statement templates in accordance with GAAP as prescribed by GASB.
- A GAAP Master List is available on DOA's web site at [www.doa.virginia.gov](http://www.doa.virginia.gov). Click on "Financial Statement Directives." This non-authoritative listing has been added for informational purposes to assist in financial statement template preparation.
- Unless specific funds are listed, the agency must present all funds maintained by the agency regardless of whether the funds are recorded on CARS. This includes all trust, local, and endowment funds.
- Report materials and supplies inventories on the financial statement templates using the consumption method.
- Report prepayment balances as of June 30 on the financial statement template using the consumption method.
- Record any applicable lag pay accruals in the financial statement templates. At a minimum, this will require recording of the July 1 (June 10-24 pay period) and a portion of the July 16 (June 25-30 pay period) paychecks. These amounts should be recorded on the salary / wage line item.

Use the criteria in **GASBS No. 14**, as modified to reflect **GASBS No. 39**, *Determining Whether Certain Organizations Are Component Units*, to evaluate which organizations are included in the financial reporting entity.

- Attachment 3 outlines the requirements of **GASBS No. 14**, as modified to reflect **GASBS No. 39**.
- Return the completed Attachment 3 for each organization evaluated by **July 17, 2008**.
- Be aware of legislative changes for fiscal year 2008.

Refer to the **GASBS No. 34 - Financial Reporting Model Overview** and the **Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates** sections in this Directive for further guidance on preparation of the financial statement templates.

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

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### [GASBS No. 28](#) reporting for securities lending amounts invested in the General Account

For those agencies that must submit GAAP basis financial statement templates, **DOA will provide** asset, liability, income, and expense amounts for the agencies' share of securities lending transactions, **if any**, held in the General Account of the Commonwealth. This information will be provided in a separate document.

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### [GASBS No. 33](#) and [GASBS No.](#) [36](#)

Nonexchange transactions must be reported in accordance with **[GASBS No. 33](#)** and **[GASBS No. 36](#)** (see also **[GASBS No. 33 – Nonexchange Transactions Overview](#)** section in this Directive).

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### [GASBS No. 34 /](#) [GASBS No. 37 /](#) [Interpretation](#) [No. 6](#)

**[GASBS No. 34](#)**, **[GASBS No. 37](#)**, and **[GASB Interpretation No. 6](#)** establish significant revisions to the financial reporting model (see also **[GASBS No. 34 – Financial Reporting Model Overview](#)** section in this Directive).

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### [GASBS No. 38](#)

**[GASBS No. 38](#)**, *Certain Financial Statement Note Disclosures*, establishes and modifies disclosure requirements related to the summary of significant accounting policies, actions taken to address violations of significant finance-related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

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### [GASB](#) [Technical](#) [Bulletin 2003-1](#)

**[GASB Technical Bulletin 2003-1](#)**, *Disclosure Requirements for Derivatives Not Presented at Fair Value on the Statement of Net Assets*, provides guidance on derivative disclosures.

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

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<b><u>GASBS No. 39</u></b>	<b><u>GASBS No. 39</u></b> , <i>Determining Whether Certain Organizations Are Component Units</i> , amends <b><u>GASBS No. 14</u></b> , and provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. <b><u>GASBS No. 39</u></b> also provides reporting requirements for such organizations.
<b><u>GASBS No. 40</u></b>	<b><u>GASBS No. 40</u></b> , <i>Deposit and Investment Risk Disclosures</i> , amends <b><u>GASBS No. 3</u></b> by updating the custodial credit risk disclosure requirements and by establishing more comprehensive disclosure requirements for other common risks of deposits and investments.
<b><u>GASBS No. 42</u></b>	<b><u>GASBS No. 42</u></b> , <i>Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries</i> , requires evaluation of events and circumstances that might impair the value of capital assets. It also provides guidance on reporting permanently impaired capital assets and all insurance recoveries.
<b><u>GASBS No. 43</u></b>	<b><u>GASBS No. 43</u></b> , <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i> , establishes uniform financial reporting standards for OPEB plans.
<b><u>GASBS No. 44</u></b>	<b><u>GASBS No. 44</u></b> , <i>Economic Condition Reporting: The Statistical Section</i> , modifies the reporting guidelines for the Statistical Section in the CAFR.
<b><u>GASBS No. 45</u></b>	<b><u>GASBS No. 45</u></b> , <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i> , establishes standards for the measurement, recognition, and display of OPEB expense / expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

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*Continued on next page*

## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

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**GASBS No. 46**     **GASBS No. 46**, *Net Assets Restricted by Enabling Legislation*, provides additional clarification and reporting guidance on net assets that are restricted as a result of enabling legislation.

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**GASBS No. 47**     **GASBS No. 47**, *Accounting for Termination Benefits*, provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated.

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**GASBS No. 48**     **GASBS No. 48**, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, requires a transaction in which a government receives or is entitled to resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues to be reported as a collateralized borrowing resulting in a liability rather than as a sale unless the specific criteria for reporting as a sale are met [GASB-S48:5-18]. Also, this statement requires governments to report transfers or donations of capital assets or financial assets within a financial reporting entity at the carrying value at the time of transfer.

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**GASBS No. 49**     **GASBS No. 49**, *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups.

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**GASBS No. 50**     **GASBS No. 50**, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

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**GASBS No. 51**     **GASBS No. 51**, *Accounting and Financial Reporting for Intangible Assets*, requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. **GASBS No. 51** also provides authoritative guidance that specifically addresses the nature of these intangible assets.

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**GASBS No. 52**     **GASBS No. 52**, *Land and Other Real Estate Held as Investments by Endowments*, establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities.

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

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### Guidelines for financial statement template work papers

The following guidelines apply to the preparation of financial statement template work papers:

- Prepare work papers that clearly support the preparation of the financial statement templates.
- Fully reconcile work papers to final CARS closing reports.
- Provide an adequate crosswalk and audit trail from the work papers to the financial statement template. For governmental funds, this must include the adjusting entries for converting from the fund statement information to the government-wide statement information.
- The following work papers are required but are not all-inclusive:
  - Trial balances of funds maintained on CARS
  - Trial balances of funds that are not maintained on CARS
  - Trial balances of government-wide financial statements
  - Reconciliation between government-wide financial statement information and fund statement information, including adjusting journal entries and supporting documentation
  - Itemized listing of capitalized fixed assets as of year-end which reconciles to the agency's internal accounting system and / or CARS, if applicable
  - Itemized listing of accounts receivable, allowance for doubtful accounts, and accounts payable

Work papers and agency supporting internal records should be ready for APA review by **August 14, 2008**.

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## **GASBS No. 33 – Nonexchange Transactions Overview**

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### **Definition of nonexchange transactions**

Nonexchange transactions are those transactions where a government gives (or receives) value **without** directly receiving (or giving) equal value in return. **GASBS No. 33**, *Accounting and Financial Reporting for Nonexchange Transactions*, and **GASBS No. 36**, *Recipient Reporting for Certain Shared Nonexchange Revenues*, provide guidance on reporting nonexchange transactions. The four types of nonexchange transactions are as follows:

**Derived Tax Revenues** – assessments imposed by governments on exchange transactions.

**Imposed Nonexchange Transactions** – assessments by governments on nongovernmental entities, including individuals, other than assessments on exchange transactions.

**Government-mandated Nonexchange Transactions** – a government at one level provides resources to a government at another level and requires that government to use the resources for a specific purpose or purposes established by the provider’s enabling legislation.

**Voluntary Nonexchange Transactions** – result from legislative or contractual agreements, other than exchanges, entered into willingly by two parties.

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### **Derived tax revenue – recognition requirements**

**Examples:** sales taxes, personal and corporate income taxes, motor fuel taxes, and similar taxes on earnings or consumption

#### **Asset Recognition:**

Period when underlying exchange has occurred or when resources are received, whichever is first.

#### **Revenue Recognition:**

Period when underlying exchange has occurred. (Report advance receipts as unearned revenues.) When modified accrual accounting is used, resources also should be available.

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## **GASBS No. 33 – Nonexchange Transactions Overview, Continued**

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### **Imposed nonexchange transactions – recognition requirements**

**Examples:** property taxes, most fines and forfeitures

**Asset Recognition:**

Period when an enforceable legal claim has arisen or when resources are received, whichever is first.

**Revenue Recognition:**

Period when resources are required to be used or first period that use is permitted. When modified accrual accounting is used, resources also should be available.

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### **Government- mandated / voluntary nonexchange transactions – recognition requirements**

**Examples:** government-mandated nonexchange transactions – federal government mandates on state and local governments / voluntary nonexchange transactions – certain grants and entitlements, most donations

**Asset and Liability Recognition:**

Period when all eligibility requirements have been met or (for asset recognition) when resources are received, whichever is first.

**Revenue and Expense / Expenditure Recognition:**

Period when all eligibility requirements have been met. (Report advance receipts or payments for use in the following period as unearned revenues or advances, respectively.) When modified accrual accounting is used for revenue recognition, resources also should be available.

**Note:** Eligibility requirements are discussed on the following page.

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## **GASBS No. 33 – Nonexchange Transactions Overview, Continued**

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### **Overall recognition requirements**

Revenue transactions that do not meet the revenue recognition requirements in **GASBS No. 33** and **GASBS No. 36** must be reclassified as unearned revenue. Expense / expenditure transactions that do not meet the expense / expenditure recognition requirements in **GASBS No. 33** must be reclassified as an advance. That is, until those requirements are met, the provider does not have a liability or recognize an expense / expenditure.

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### **Eligibility requirements**

The eligibility requirements are conditions established by enabling legislation or by the provider that must be met before a **nonexchange** transaction can occur. The eligibility requirements are:

- **Required characteristics of recipients**: The recipient has the characteristics specified by the provider. (For example: Under a certain federal program, recipients are required to be states & secondary recipients are required to be school districts.)
  - **Time requirements**: Time requirements specified by enabling legislation or by the provider have been met. (For example: The period when the resources are required to be used, or when use may begin.)
  - **Reimbursements**: The provider offers resources on a reimbursement (expenditure driven) basis, and the recipient has incurred allowable costs under the applicable program.
  - **Contingencies (applies only to voluntary nonexchange transactions)**: The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred.
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## **GASBS No. 33 – Nonexchange Transactions Overview, Continued**

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### **Footnote disclosure**

**GASBS No. 33**, paragraph 11 states that under either basis of accounting (modified accrual or accrual), recognition of transactions is only required if the transactions are measurable (reasonably estimable) and probable of collection. **GASBS No. 33** requires footnote disclosure of transactions that are not recognizable because they are not measurable.

If applicable, agencies that are required to submit financial statement templates must disclose this information.

If applicable, agencies not required to submit financial statement templates on certain funds must provide this disclosure to DOA on **Attachment 16, GASBS No. 33 Expenditure and Revenue Analysis**.

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### **Obtaining information from agencies**

**GASBS No. 33** and **GASBS No. 36** requirements must be followed when preparing GAAP basis financial statement templates (Attachments 9-13), supplemental information, and other attachments.

The following attachments are to obtain **GASBS No. 33** and **GASBS No. 36** information on funds not included in financial statement templates:

- Attachment 16, **GASBS No. 33** Expenditure and Revenue Analysis
- Attachment 26, **GASBS No. 33** Federal Fund Analysis – Non-reimbursement Grants

**Agencies should refer to GASB statements for additional guidance and examples of nonexchange transactions and eligibility requirements.**

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## **GASBS No. 34 – Financial Reporting Model Overview**

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### **Background**

**GASBS No. 34**, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, modified the financial reporting requirements for governmental entities. **GASB Interpretation No. 6**, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or could arise, in interpretation and practice. **GASBS No. 37**, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, clarifies certain provisions in **GASBS No. 34**.

For additional guidance regarding **GASBS No. 34** please refer to the most current Comprehensive Implementation Guide issued by GASB in 2007.

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### **Resources**

Resources can be accessed as follows:

<b>Resource</b>	<b>Source</b>
GASB Statements and related Implementation Guides	<a href="http://www.gasb.org">www.gasb.org</a>
<i>Governmental Accounting, Auditing, and Financial Reporting 2005 Edition – Using the GASB 34 Model</i>	<a href="http://www.gfoa.org">www.gfoa.org</a>

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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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**Requirements**      Each agency must follow **GASBS No. 34, GASBS No. 37, GASB Interpretation No. 6, and the Implementation Guides** when preparing the GAAP Basis financial statement templates, other attachments, and / or supplemental information.

**Any reference to GASBS No. 34 in this section means GASBS No. 34, GASBS No. 37, GASB Interpretation No. 6, and the Implementation Guides.**

The following sections provide some of the **GASBS No. 34** requirements. This is **not a complete listing**.

The following is a listing of minimum requirements for the CAFR and / or agency published financial statements:

- Management Discussion and Analysis
- Basic Financial Statements:
  - Government-wide financial statements (governmental funds only)
  - Fund financial statements
  - Reconciliation between government-wide and fund financial statements
  - Notes to the financial statements
- Required Supplemental Information

**Note:** DOA will obtain the aforementioned requirements through financial statement templates (Attachments 9-13), other attachments, and supplemental information submissions.

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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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### **Requirements (Continued)**

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- The statement requires the addition of the Management Discussion and Analysis section. (**Note:** For CAFR reporting requirements, DOA will obtain this information from selected agencies in Attachment 20, Management Discussion and Analysis.)
- The statement requires a Government-wide Statement of Net Assets and Statement of Activities. These statements are on the economic resources measurement focus and full accrual basis of accounting. The fund statements for governmental funds are on a current resources measurement focus and modified accrual basis of accounting. The government-wide and fund statements must be reconciled.
- Government-wide Statement of Net Assets and Proprietary Fund Statement of Net Assets have the following net asset line items: Invested in Capital Assets, Net of Related Debt; Restricted (by description); and Unrestricted.
- Government-wide Statement of Activities has different revenue classifications than the fund statements.
- All infrastructure assets must be reported in the agency's financial statements.

**It is recommended that agencies read GASBS No. 34, GASBS No. 37, GASB Interpretation No. 6, and the Implementation Guides before preparing financial statement templates.**

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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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### **Funds**

DOA analyzes and determines the reporting classifications for all CAFR funds. **DOA will contact agencies for assistance to determine the proper fund classifications for new funds.** Refer to **GASBS No. 34** for definitions of each fund. Below is a listing of the funds:

#### **Governmental Funds:**

- General
- Special Revenue
- Capital Projects
- Debt Service
- Permanent

#### **Proprietary Funds:**

- Enterprise
- Internal Service

#### **Fiduciary Funds:**

- Pension and Other Employment Benefit Trust
- Investment Trust
- Private-purpose Trust
- Agency

**Note:** Activity related to long-term debt and capital assets for governmental funds is reported in the Government-wide Statement of Net Assets and Statement of Activities under the full accrual basis of accounting and economic resources measurement focus.

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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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### **Fund financial statements**

#### **FUND FINANCIAL STATEMENTS:**

**Governmental** fund statements are presented on the modified accrual basis of accounting / current resources measurement focus and include a

- Balance Sheet, and
- Statement of Revenues, Expenditures, and Changes in Fund Balance.

**Proprietary** fund statements are presented on the full accrual basis of accounting / economic resources measurement focus and include a

- Statement of Net Assets,
- Statement of Revenues, Expenses, and Changes in Fund Net Assets, and
- Statement of Cash Flows (Direct method).

**Fiduciary** fund statements are presented on the full accrual basis of accounting / economic resources measurement focus and include a

- Statement of Fiduciary Net Assets, and
  - Statement of Changes in Fiduciary Net Assets.
- 

### **Government-wide financial statements**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

The government-wide financial statements are reported using the full accrual basis of accounting / economic resources measurement focus and present aggregate totals for the governmental funds and business-type activities (proprietary funds) in separate columns. These columns are then added to provide a primary government total. The government-wide financial statements include two separate statements.

- Statement of Net Assets (similar to a balance sheet)
- Statement of Activities (similar to an operating statement)

The 2005 GAAFR includes examples of how to convert the fund statements to the government-wide financial statements.

**GASBS No. 34** also requires the following reconciliations:

- Reconciliation between the fund balance on the Balance Sheet and the Net Assets of governmental activities on the Statement of Net Assets
  - Reconciliation between the total change in governmental fund balances and the change in net assets of governmental activities on the Statement of Activities
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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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### **Converting entries**

Below are a few examples of entries needed to convert governmental fund modified accrual basis statements to government-wide full accrual basis statements. **This is not a complete listing of all conversion entries needed.**

- Capital assets and long-term liabilities must be reported on the government-wide statements.
- Expenditures to acquire capitalized fixed assets must be recorded as a debit to capital assets rather than to expenditures.
- Gain / loss on the sale of capital assets must be recorded.
- Depreciation expense on capital assets must be recorded on the government-wide statements.
- Receivables at June 30 on the fund statements and government-wide statements are equivalent; however, the receivables to be received after August 31 must be reported as revenue on the government-wide statements and as deferred revenue on the fund statements.
- Revenue must be reported as general revenue or program revenue / function rather than by revenue class.

As noted on the previous page, the 2005 GAAFR provides examples of converting the fund statements to government-wide statements.

**Agencies not required to prepare financial statement templates (Attachments 9-13) will provide various attachments and / or supplemental information necessary for DOA to convert to the government-wide financial statements.**

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### **Exceptions to government-wide financial statements**

Fiduciary fund activity is **not** reported in the government-wide financial statements. This information is only reported in the fund financial statements.

Governmental and enterprise funds' government-wide financial information is obtained from the financial statement templates, other attachments, and supplemental information. Internal service fund government-wide statement information is obtained from Attachment 19, Internal Service Funds – Conversion to Government-wide Statement of Activities.

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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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### **Calculation of material funds for governmental and proprietary funds**

The focus of governmental and proprietary fund financial statements is on major funds. Fund statements should be presented with each major fund in a separate column. Nonmajor funds should be aggregated in a single column. **GASBS No. 34** does not require combining statements for nonmajor funds; however, the Commonwealth will reflect combining statements as required for CAFR reporting. Accordingly, each agency preparing financial statement templates **must not** aggregate non-major CAFR reporting funds into a single financial statement template. In order to provide uniformity among state and local governments, the GASB requires that the General Fund always be considered a major fund. The statement also requires that other governmental or enterprise funds meeting the following criteria be considered major funds.

- Total assets, liabilities, revenues OR expenditures / expenses of the individual fund  $\geq 10\%$  of the corresponding total (assets, liabilities, etc.) for all funds of that category (i.e., total governmental OR enterprise funds)

### **AND**

- Total assets, liabilities, revenues OR expenditures / expenses of the individual fund  $\geq 5\%$  of the corresponding total for ALL governmental and enterprise funds combined

**Note:** When determining whether the 10% and 5% criteria have been met, the analysis should compare the same financial statement grouping (i.e., assets, liabilities, revenues, or expenditures / expenses) for both criteria. The statement also allows management to report funds not meeting the above criteria as major funds *if* management believes that those funds are particularly important to the financial statements.

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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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### **Statement of Net Assets – overview**

Assets and liabilities must be in order of relative liquidity or presented in a classified format to identify current (converted to cash within one year / due within one year) and noncurrent assets and liabilities (converted to cash in greater than one year / due in greater than one year). If the classified format is not used, liabilities with average maturities greater than one year must be reported separately as amounts due within one year and amounts due in greater than one year. **Proprietary funds must use the classified format.**

Cash and cash equivalents (original maturity of 90 days or less) must be reported separately from investments (original maturity of greater than 90 days). Distinguish between Cash and Cash Equivalents with the Treasurer, Cash and Cash Equivalents not with the Treasurer, Investments with the Treasurer, and Investments not with the Treasurer.

Depreciable and nondepreciable capital assets must be reported on separate line items. This does not apply to the Balance Sheet for Governmental Funds because capital assets are not reported on those statements. Capital Assets are only reported in the Government-wide Statement of Net Assets for Governmental Funds.

For the Statement of Net Assets, the fund balance / retained earnings and contributed capital are called net assets under **GASBS No. 34** and must be displayed in three broad components:

- 1. Invested in capital assets, net of related debt**
- 2. Restricted (including a description of each type of restriction)**
- 3. Unrestricted**

The following sections provide definitions of Invested in Capital Assets, Net of Related Debt, and Restricted Net Assets. **Unrestricted** net assets consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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### **Statement of Net Assets – Invested in Capital Assets, Net of Related Debt**

This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding debt (balances of any bonds, mortgages, notes, or other **borrowings**) that are attributable to the acquisition, construction, or improvement of those assets. It also includes the unspent proceeds on this debt that is related to the capital assets (Note A). It does not include investment earnings on those unspent proceeds which would most likely be reported on one of the restricted net asset line items. This component does not include accounts payable related to capital assets because an accounts payable is not considered a borrowing.

**Note A:** If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds should not be included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt should be included in the same net asset component as the unspent proceeds - for example, restricted for capital projects.

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### **Statement of Net Assets – Restricted Net Assets**

**Restricted** net assets should be reported as restricted, including a description of the restriction, when constraints placed on net asset use are either:

- externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- imposed by law through constitutional provisions or enabling legislation.

**GASBS No. 34** Implementation Guide, question 95 states the following: “The basic concept is that restrictions are not unilaterally established by the reporting government itself and cannot be removed without the consent of those imposing the restrictions or through formal due process.” **Any resources that are classified as program revenue – operating or capital grants & contributions are restricted.**

If restricted net assets include amounts related to permanent endowments or permanent fund principal, the expendable and nonexpendable components must be reported separately.

- See **GASBS No. 34** for further guidance on restricted net assets.

**DOA will contact agencies, as needed, to obtain information to appropriately report restrictions in the CAFR.**

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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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### **Statement of Activities – revenue classification**

**GASBS No. 34** requires revenue to be classified as one of the following on the Government-wide Statement of Activities:

- General Revenue
- Contributions to Term and Permanent Endowments and Contributions to Permanent Fund Principal
- Program Revenue – Charges for Goods / Services
- Program Revenue – Operating Grants and Contributions
- Program Revenue – Capital Grants and Contributions

**Program revenue must also be classified by expenditure function.**

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### **Statement of Activities – expenditure functions for program revenue**

**GASBS No. 34** requires that program revenues be presented as a reduction of the total expense of the benefiting function; therefore, expenditure functions (general government, education, resources & economic development, etc.) must be assigned to revenues. For **charges for services**, this is the function that generates the revenue. For **grants and contributions**, this is the function to which the revenues are restricted.

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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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### **Statement of Activities – General Revenue**

All revenues are general revenues unless the revenues are required to be reported as program revenues. General revenues consist of the following categories:

- Taxes (source codes 01xxx)
- Investment Earnings
- Grants & Contributions Not Restricted to Specific Programs
- Miscellaneous

All taxes, even those that are levied for a specific purpose (for example, sales tax, property tax, franchise tax, income tax) are general revenues. All other non-tax revenues (including interest, grants and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

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### **Statement of Activities – Contributions to Term and Permanent Endowments**

Contributions to term and permanent endowments and contributions to permanent fund principal must be reported as a separate revenue line item. Permanent endowment and permanent fund principal is not expendable. Term endowment principal is not expendable until after a specified time period or after a designated event.

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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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### **Statement of Activities – Program Revenue**

The following are descriptions of the classifications of program revenue.

- **Charges for Goods / Services** – include revenues based on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase, use or directly benefit from the goods, services, or privileges provided or are otherwise directly affected by the services. **Source codes 02xxx – Rights & Privileges, 03xxx – Sales of Property, 05xxx – Assessments, and 08xxx – Fines, Fees & Forfeitures should be classified as Charges for Goods / Services. These are not the only source codes that may be classified as charges for goods / services.**
- **Operating Grants and Contributions** – include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the reporting government should be reported as Operating Grants and Contributions.
- **Capital Grants and Contributions** – include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes (to purchase, construct, or renovate capital assets associated with a specific program). These items should be reported as Capital Grants and Contributions.

Multipurpose Grants (grants that provide financing for more than one program) – should be reported as program revenue if the amounts restricted to each program are specifically identified in either the grant award or the grant application. Multipurpose grants that do not provide for specific identification of the programs and amounts should be reported as General Revenues.

Earnings on endowments or permanent fund investments should be reported as program revenues if restricted to a program specifically identified in the endowment or permanent fund agreement or contract. However, these earnings should be reported as General Revenue if the earnings are used to finance general operating expenses. Earnings on investments not held by permanent funds also may be legally restricted to specific functions or programs. For example, interest earnings on State grants may be required to be used to support a specific program.

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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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### **Government-wide revenue classifications for funds not included in financial statement templates**

DOA has analyzed revenue source codes not included in agency prepared financial statement templates for fiscal year 2008 based on CARS activity and communication with selected agencies. Agencies not required to prepare financial statement templates must refer to the **GASBS No. 34 Government-wide Revenue Classification Table** on DOA's website at [www.doa.virginia.gov](http://www.doa.virginia.gov). Click on the "Financial Statement Directives" link. Agencies can look up an agency, fund / fund detail, and source code to obtain the proper **GASBS No. 34** government-wide revenue classification to record on attachments and / or supplemental information. For any new revenue source codes, DOA will contact agencies to determine the proper classifications. **Note: This table will be available in mid-July 2008.**

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### **Fund financial statements – overview**

**GASBS No. 34** did **not** significantly change the fund statements. Some of the changes are explained in the following sections.

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### **Balance Sheet / Statement of Net Assets – all funds**

**GASBS No. 34** requires that cash and cash equivalents be reported on a separate line item from investments.

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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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### **Fund financial statements – proprietary funds**

- Statement of Net Assets must be prepared in the **classified format**.
- For the Statement of Net Assets, the retained earnings and contributed capital are components of net assets and must be displayed as follows: Invested in Capital Assets Net of Related Debt, Restricted (including a description), and Unrestricted. **In some cases, this reporting will result in a negative net asset unrestricted balance.** See the following example for reporting total net assets (formerly retained earnings / contributed capital) of \$1,000,000:

Invested in Capital Assets, Net of Related Debt	\$2,500,000
Restricted Net Assets,	0
Unrestricted Net Assets	<u>(\$1,500,000)</u>
Total Net Assets	<u>\$1,000,000</u>

- Current year contributed capital activity should be reported in the nonoperating section of the Statement of Revenues, Expenses, and Changes in Fund Net Assets.
- The Cash Flows from Operating Activities section of the Statement of Cash Flows should include the following two line items for reciprocal interfund services provided and used activity:

Internal Activity – Payments to Other Funds  
Internal Activity – Payments from Other Funds

- For Internal Service Funds only – financial statement templates must be prepared in **GASBS No. 34** format for gross amounts before internal activity and balances can be eliminated by DOA. **GASBS No. 34** states that internal activity and balances should be eliminated from the Government-wide Statement of Activities. This elimination removes the doubling up effect of reporting the original disbursement activity in the paying funds and in the internal service fund. An attachment is provided to eliminate the internal activity and convert amounts to the Government-wide Statement of Activities.
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## **GASBS No. 34 – Financial Reporting Model Overview, Continued**

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### **Fund financial statements – fiduciary funds**

- All fiduciary funds must be reported on the full accrual basis of accounting and the economic resources measurement focus.
  - Investments must be provided by investment type (i.e., bonds, stocks, etc.) on the Statement of Fiduciary Net Assets.
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### **Additional information**

See also the **Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates** section in this Directive.

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### **Management Discussion and Analysis**

Agencies required to prepare individually published financial statements may opt to prepare a Management Discussion and Analysis (MD&A) in narrative form. Selected agencies must complete Attachment 20, Management Discussion and Analysis, for CAFR reporting.

**Note:** Refer to **GASBS No. 34**, paragraphs 8-11, for additional guidance if the agency prepares MD&A for individually published financial statements.

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## **GASBS No. 42 – Impairment of Capital Assets and Insurance Recoveries Overview**

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### **Purpose**

**GASBS No. 42**, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, requires evaluation of events and circumstances that might impair the value of capital assets and how this activity should be reported and disclosed. **GASBS No. 42** defines “impairment” as an unexpected and significant decline in service utility of a capital asset. It also provides guidance on all insurance recoveries even those not related to impaired capital assets (i.e. embezzlements, thefts). Agencies that may have impaired capital assets must read and understand the requirements of **GASBS No. 42**.

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### **Identify potential impairment**

A determination must first be made as to whether an agency has a possible impairment of a capital asset. Some indicators of impairment are as follows:

- physical damage
- enactment or approval of laws, regulations, or other changes in environmental factors
- technical development or evidence of obsolescence
- change in manner or expected duration of a capital asset’s use
- construction stoppage

The events or circumstances that could indicate an impairment would be prominent and known to the government.

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## **GASBS No. 42 – Impairment of Capital Assets and Insurance Recoveries Overview, Continued**

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### **Impairment test**

Once a potential impairment has been identified, the following two factors must be met for a capital asset to be considered impaired:

- The magnitude of the decline in service utility is significant.
- The decline in service utility is unexpected.

Only assets that are significant to a fund should be tested for potential impairment. For Governmental type entities “significant” is defined as a decline of \$1,000,000 for all asset categories. Proprietary-type agencies should use professional judgment to determine what is “significant.” Impairment losses recognized in accordance with this policy should not be reversed in a future year, even if events or circumstances that caused the impairment have changed.

**Note:** If a capital asset does not meet the requirements of this impairment test, the remaining useful life and salvage value may need to be reevaluated and changed on a prospective basis.

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### **Impairment loss**

#### **Impairment Loss Amount for Permanently Impaired Capital Assets:**

Permanently impaired capital assets that will **continue to be used** by the agency must be written down to properly reflect the decline in service utility using one of the following methods: restoration cost approach, service units approach, or deflated depreciated replacement cost approach.

Permanently impaired capital assets that **will no longer be used** by the agency and construction stoppage must be reported at the lower of carrying value or fair value.

**Note:** Generally, an impairment should be considered permanent; however, in some cases it may be considered temporary. If it is considered temporary, the capital asset should not be written down.

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## **GASBS No. 42 – Impairment of Capital Assets and Insurance Recoveries Overview, Continued**

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### **Reporting of impairment loss**

An impairment loss that took place during the current fiscal year must be reported as follows:

- Statement of Activities (business-type & governmental): program expense, special item, or extraordinary item
- Statement of Revenues, Expenses, and Changes in Fund Net Assets (proprietary funds): operating expense, special item, or extraordinary item

If the impairment loss took place in prior years and was not previously recognized, beginning net assets should be restated.

Also, per **GASBS No. 42**, paragraph 21, if insurance recoveries are in the same year as the impairment loss, the impairment loss should be reported net of the associated insurance recovery. Per **GASBS No. 42**, paragraph 17 footnote 6, this guidance also applies to insured impairments that result in an accounting gain.

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### **Disclosure of impairment loss**

A description of the impairment loss, financial statement line item, and amount must be disclosed, if not apparent from the face of the financial statements.

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### **Disclosure of impaired capital assets – idle at year-end**

The carrying amount of any permanently or temporarily impaired capital assets that are idle as of year-end must be disclosed.

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## **GASBS No. 42 – Impairment of Capital Assets and Insurance Recoveries Overview, Continued**

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### **Reporting of insurance recoveries**

Insurance recoveries should be reported as follows:

All insurance recoveries related to impaired capital assets and any other insurance recoveries (i.e. embezzlement, theft, etc.) should be reported as follows:

- Governmental Fund Financial Statements - other financing source or extraordinary item

Insurance recoveries for capital assets impaired in prior years and other insurance recoveries not related to impaired capital assets:

- Government-wide Financial Statements (business-type & governmental) - program revenues or extraordinary item
- Statement of Revenues, Expenses, and Changes in Fund Net Assets (proprietary funds) - nonoperating revenue or extraordinary item

**Note:** As previously discussed, the impairment loss for capital assets impaired in the current year must be reported net of current year insurance recoveries.

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### **Disclosure of insurance recoveries**

The amount and financial statement line item of insurance recoveries must be disclosed if not apparent from the face of the financial statements.

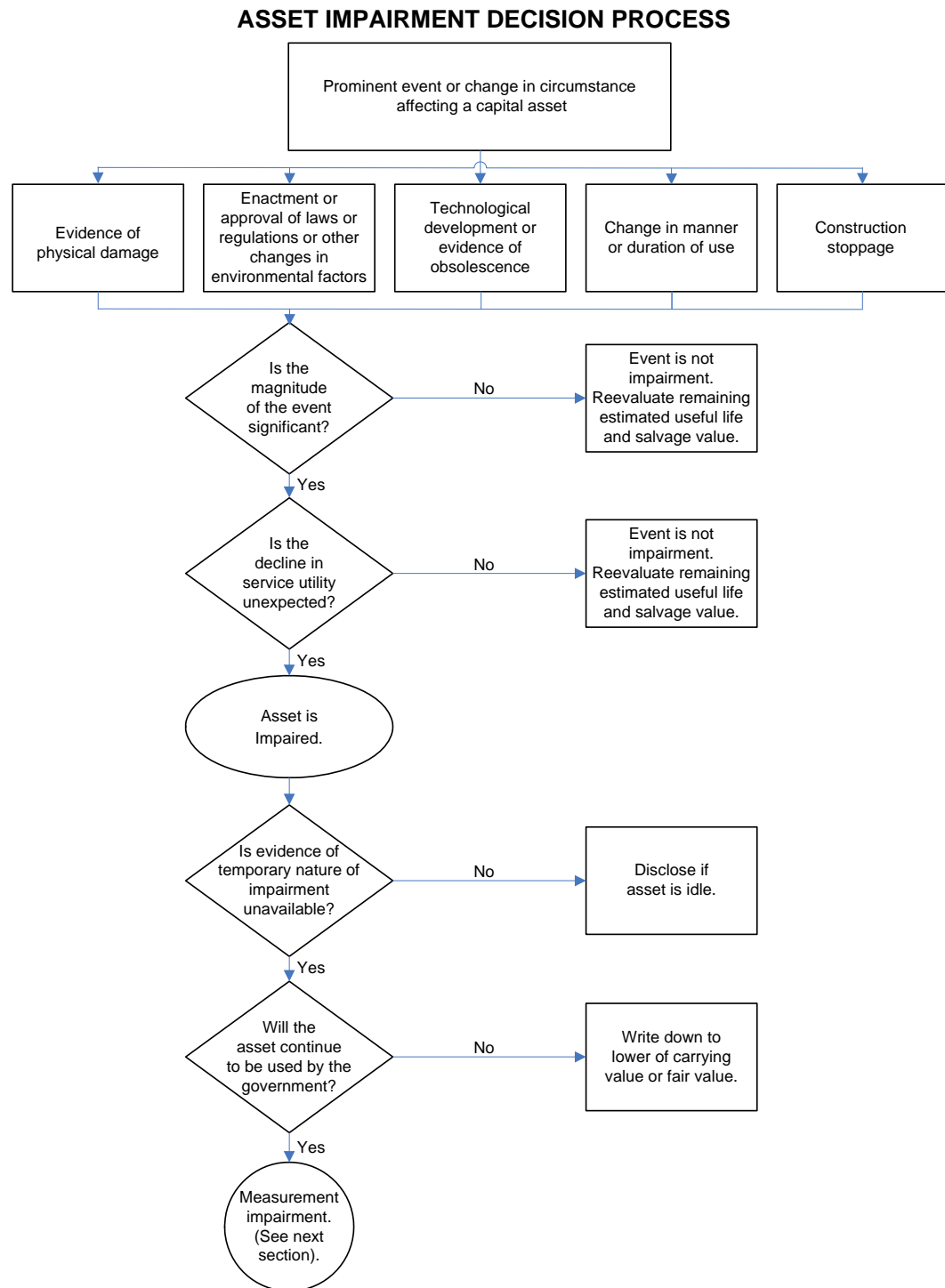
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### **Flowchart for impairment disclosure**

The following page contains a flowchart for determining asset impairment.

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## **GASBS No. 42 – Impairment of Capital Assets and Insurance Recoveries Overview, Continued**



## **GASBS No. 42 – Impairment of Capital Assets and Insurance Recoveries Overview, Continued**

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### **Measuring the Impairment of Capital Assets**

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#### **Asset no longer used and construction stoppage**

If the impaired capital asset will no longer be used, the asset should be written down to the lower of carrying value or fair value. Capital assets impaired from construction stoppage should also be written down to the lower of carrying or fair value. If the fair value exceeds the carrying value, it would not be appropriate to recognize a gain until the asset is sold or disposed. When the asset is sold or disposed it should be retired in the asset management system. If the carrying value exceeds the fair value, it would be appropriate to recognize a loss when the impairment event or change in circumstance occurs.

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#### **Asset will continue to be used**

A description of the impairment loss, financial statement line item, and amount must be disclosed, if not apparent from the face of the financial statements. When a capital asset that will continue to be used is determined to be impaired, the amount of the impairment loss should be determined using one of the following measurement approaches:

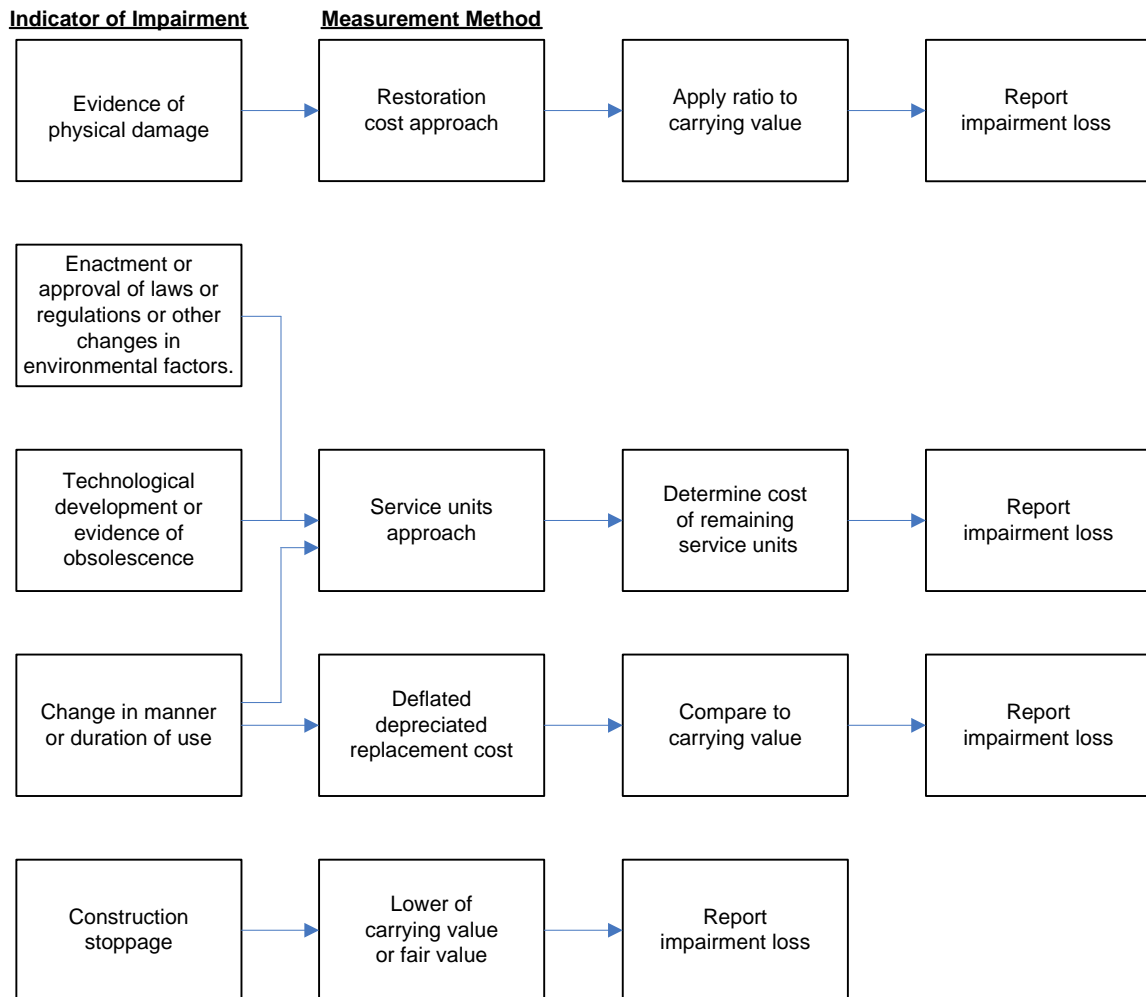
- Restoration cost approach, which is generally used to measure impairment losses from physical damage such as from fire, wind, and the like.
- Service units approach, which is generally used to measure impairment losses from environmental factors, technological changes, obsolescence, or the change in the manner or duration of use.
- Deflated depreciated replacement cost approach, which can also be used to measure impairment losses from the change in the manner or duration of use.

Ultimately, the specific method to be used should be the one that best reflects the service utility decline. The method used to measure impairment losses should be applied consistently to impairments with similar characteristics. The following flowchart is provided to help determine which impairment method should be used.

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## **GASBS No. 42 – Impairment of Capital Assets and Insurance Recoveries Overview, Continued**

### **MEASUREMENT OF ASSET IMPAIRMENT (for assets that will continue to be used by the government)**



Agencies should review **GASBS No. 42** for additional guidance on how to apply each measurement methodology.

*Continued on next page*



## **GASBS No. 42 – Impairment of Capital Assets and Insurance Recoveries Overview, Continued**

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### **Replacement or repair costs of the impaired asset**

A description of the impairment loss, financial statement line item, and amount must be disclosed, if not apparent from the face of the financial statements. If an impaired asset is being repaired, the repairs should be added as an improvement or as a new asset. If a new asset is being added to replace the old asset, the new asset should be added to asset management and the old asset retired in the same manner that you would add and retire any other asset. The new asset should be added in the same year that the replacement costs are incurred and the old asset should be retired in the year it is disposed.

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## **Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates**

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### **Contents**

This section contains the following topics.

- Accounts Payable
  - Leases
  - Cash Transfers
  - Federal Fund Balance
  - Cash Flow Statement
  - Agency Funds – Statement of Changes in Assets and Liabilities
  - Pension Disclosures
  - Fluctuation Analysis Guidelines and Materiality Scopes
  - Other Guidelines
- 

## **Accounts Payable**

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### **Definitions**

Accounts Payable:	An obligation incurred prior to year-end (June 30) that has not been paid at or before year-end. Appropriation or budgetary considerations are NOT APPLICABLE in deciding whether an expenditure is a payable.
Revenue Refund Payable:	A Revenue Refund that the agency incurred prior to year-end (June 30) that the agency has not refunded on or before year-end.

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## Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates, Continued

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### Accounts Payable, Continued

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#### **“P” voucher process**

Use the “P” voucher process to provide accounts payable and revenue refunds payable data to DOA for the modified accrual basis of accounting.

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#### **Requirements of “P” voucher process**

The agency must add a “P” or “N” as the last character in the voucher number for all vouchers submitted to DOA in July and August based on the following:

- If the voucher represents an account payable or revenue refund at June 30, add a “P.”
- If the voucher does **not** represent an account payable or revenue refund at June 30, add an “N.”

During July and August, DOA will not process vouchers without a “P” or an “N.”

DOA’s fiscal year 2008 year-end agency closing instructions provide additional guidance. These instructions are available for download from DOA’s web site at [www.doa.virginia.gov](http://www.doa.virginia.gov). Click on “Year-End Closing Procedures.” The agency should become familiar with these instructions prior to year-end close.

**Note:** The year-end agency closing instructions for “P” and “N” vouchers include guidelines to properly code vouchers in accordance with **GASBS No. 33**, *Accounting and Financial Reporting for Nonexchange Transactions*, and **GASBS No. 36**, *Recipient Reporting for Certain Shared Nonexchange Revenues*.

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*Continued on next page*

## **Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates, Continued**

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### **Accounts Payable, Continued**

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#### **Year-end reports**

To assist in recording accounts payable and revenue refunds in the financial statements on a modified accrual basis of accounting, DOA provides special year-end reports.

The reports listed below provide accounts payable and revenue refund data separately for July and August and are distributed after July and August monthly closing.

- ACTB 1495 – Detail Accounts Payable Report by Agency / Fund / Fund Detail / Program / Subprogram
  - ACTB 1496 – Report of All “P” Vouchers by Agency
  - ACTB 1497 – Detail Accounts Payable Report by Agency / Fund / Program
- 

#### **Record retention**

To support financial statement disclosures, for APA review, and for agency internal audit review, retain the reports above and any related summaries in conformance with the existing record retention policies.

Records must include all accounts payable and revenue refunds payable. Do not include encumbered purchase orders or those portions of purchase orders for which goods or services were not received as of June 30.

Records should indicate to which expenditure or revenue line item each account payable or revenue refund voucher is recorded in the financial statements.

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## Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates, Continued

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### Leases

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#### GASBS No. 13

**GASBS No. 13**, *Accounting for Operating Leases with Scheduled Rent Increases*, sets standards for accounting and reporting operating leases with scheduled rent increases.

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#### How to account for operating leases with scheduled rent increases

**When the pattern of the payment requirements are systematic and rational**, lessee and lessor should measure revenues or expenditures for operating leases with scheduled rent increases by using the terms of the lease contract.

Examples of payment schedules that meet the above criteria follow.

- Scheduled rent increases to cover “economic factors relating to the property, such as the anticipated effects of property appreciation or increases in costs due to factors such as inflation”
- Rent payments which represent “the time pattern in which the leased property is available for the use of the lease”

**When rent payments in certain periods are artificially low when viewed in the context of earlier or later payments**, measure the lease transaction using **one** of the following two alternatives:

- Straight-line basis
- Estimated fair value of the rental

Lease agreements that contain non-appropriation clauses do not preclude the recording of long-term liabilities for these lease payments.

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#### Additional resources

For additional information concerning leases, refer to the CAPP Manual Sections 31200, Lease Accounting, and 70600, Lease Accounting System (LAS). These CAPP have recently been updated, and they contain significant changes. They will be available on DOA's website in June 2008. **These topics should be reviewed and understood before completing the attachments and supplemental information.** Refer questions to Andrew Short, Financial Analyst, by phone at (804) 225-2002 or e-mail at [andrew.short@doa.virginia.gov](mailto:andrew.short@doa.virginia.gov), or Bobby Eddleton, Assistant Director of Financial Reporting, by phone at (804) 225-2257 or e-mail at [bobby.eddleton@doa.virginia.gov](mailto:bobby.eddleton@doa.virginia.gov).

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## Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates, Continued

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### Cash Flow Statement

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#### GASBS No. 9

**GASBS No. 9**, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, requires a Statement of Cash Flows for all proprietary funds.

Agencies with proprietary funds must complete the Statement of Cash Flows in the financial statement templates submitted to DOA.

**GASBS No. 9** defines cash equivalents as short-term, highly liquid investments with original maturities of three months or less.

Noncash transactions affecting assets or liabilities must be disclosed in accordance with **GASBS No. 9**, paragraph 37.

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#### Requirements

- The direct method must be used to prepare the Statement of Cash Flows. This method requires the preparation of a reconciliation of operating income to net cash provided by operating activities.
  - For Statement of Net Asset presentation, DOA defines cash equivalents as short-term, highly liquid investments with original maturities of **90 days or less**.
  - Include the Change in the Fair Value of Investments in the Non-Cash section of the Statement of Cash Flows. This represents the change in fair value of investments that is required to be reported in accordance with **GASBS No. 31**, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.
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## Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates, Continued

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### Cash Flow Statement, Continued

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#### GFOA requirements

The Government Finance Officers Association **requires** the following:

- Reciprocal interfund services provided and used transactions should be presented on proprietary fund cash flow statements.
  - Reciprocal interfund services provided and used transactions should be accounted for as revenues, expenditures, or expenses on the operating statement in the funds involved.
  - The amount of contractual services on the operating statement should approximate the amount of contractual services reported on the Statement of Cash Flows.
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#### Reciprocal interfund services provided and used

Reciprocal interfund services provided and used transactions are transactions that would be treated as revenues, expenditures, or expenses if the transactions involved organizations that are external to the governmental unit. Examples are listed below.

- Internal service billings to departments
- Routine service charges for inspection, engineering, utilities, or similar services provided by a department financed from one fund to a department financed from another fund

Thus, if an internal service fund purchases supplies from an outside vendor and from another State agency, the transactions between the internal service fund and the other agency must be reflected separately from the vendor transactions.

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#### Reporting guidelines

Report reciprocal interfund transactions with customers or suppliers that are part of the Commonwealth on the Statement of Cash Flows as “**Internal Activity – Payments from Other Funds**” or “**Internal Activity – Payments to Other Funds**.”

Report transactions with customers or suppliers that are not part of the Commonwealth on the Statement of Cash Flows as “Receipts for Sales and Services” or “Payments to Suppliers for Goods and Services.”

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## Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates, Continued

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### Cash Flow Statement, Continued

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#### Noncash flow activities

Review **GASBS No. 9** to ensure that transactions that do not have inflows or outflows of cash are not reported on the Statement of Cash Flows. Examples of items to be excluded follow.

- Bond issuance costs and underwriters' fees that were deducted from bond proceeds (Net bond proceeds received would be presented as a cash inflow in the appropriate category)
  - A debt defeasance where no cash was received
  - The “rollover” of investments, such as certificates of deposit, where no cash actually flows in or out of the fund
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### Agency Funds – Statement of Changes in Assets and Liabilities

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#### Purpose of agency funds

Agency Funds are used to account for assets held by a government in a custodial capacity for individuals, private organizations, or other governments.

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#### Reporting of agency funds

Agency funds report assets equal to liabilities and do not measure or report results of operations. **In accordance with GASBS No. 34, agency funds are reported on the full accrual basis of accounting.** Investments must be reported by investment type (bonds, stocks, real estate, short-term, etc.).

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#### Reporting revenue collected

If the agency collects monies on behalf of a third party, the agency is acting in a custodial capacity for the Commonwealth. The monies collected are not generally available to the agency for expenditure.

Report monies collected and **not** remitted to the third party at June 30 as both assets and liabilities.

Report monies collected throughout the year as additions and monies remitted throughout the year to third parties as deductions.

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## Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates, Continued

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### Pension Disclosures

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**GASBS No. 25**     **GASBS No. 25**, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, establishes standards for pension plans, whether pension plan financial statements are included in the employer's financial report or in a separate financial report issued by the plan or the public employee retirement system that administers the plan.

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**GASBS No. 27**     **GASBS No. 27**, *Accounting for Pensions by State and Local Governmental Employers*, establishes standards of accounting and financial reporting for pension expenditures / expenses and related liabilities, assets, note disclosures, and required supplementary information in the financial reports of state and local government **employers**.

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**GASBS No. 50**     **GASBS No. 50**, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

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## Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates, Continued

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### Pension Disclosures, Continued

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Who is responsible for reporting GASBS No. 25, 27, and 50?

- VRS has responsibility for complying with GASBS No. 25 requirements.

**For compliance with this Directive**, agencies do **not** have to provide any VRS related disclosures required by GASBS No. 25.

- DOA is responsible for reporting GASBS No. 27 financial statement, note disclosure, and required supplementary information requirements relating to VRS pension plans. Since employees of agencies are employees of the Commonwealth, net pension obligations of the VRS pension plans are reported in the participating funds only at the CAFR level and not in agency financial statements.

However, if the agency **issues separate audited GAAP based financial statements**, the agency **must include** the following pension related footnote disclosure:

*Employees of the (agency's name) are employees of the Commonwealth. The employees participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). The VRS also administers life insurance and health related plans for retired employees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). The Commonwealth, not the (agency's name), has overall responsibility for contributions to these plans.*

- VRS is responsible for complying with GASBS No. 50 requirements that amend GASBS No. 25 to require defined benefit pension plans and defined contribution plans to disclose in the notes to financial statements the methods and assumptions used to determine the fair value of investments, if the fair value is based on other than quoted market prices.

DOA has responsibility for complying with GASBS No. 50 requirements that amend GASBS No. 27 to require cost-sharing employers to include how the contractually required contribution rate is determined or that the cost-sharing plan is financed on a pay-as-you-go basis.

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## Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates, Continued

### Fluctuation Analysis Guidelines and Materiality Scopes

#### Fluctuation analyses

Fluctuation analyses have been added to the financial statement template attachments (Attachments 9-12) to compare the current year's financial statement template activity to the prior year's financial statement template activity. Material variances must be explained. Due to the nature of the activity reported for Agency Funds (Attachment 13), a fluctuation analysis is required to compare current year activity to prior year activity for increases and decreases in those funds.

Agencies may use the following guidelines for calculating materiality or may use their professional judgment and use a different methodology. To determine the agency's materiality select the **base amount** as the larger of current year's total assets or total revenue as reported on the agency's financial statement template. Using the following table, find the row that contains the base amount. The corresponding amount in the "Materiality Scope" column is the materiality scope.

**Investigate and explain** any variances between current and prior year activity at the financial statement template line item level that are **greater than the materiality scope AND greater than or equal to 10%**. Disregard negative signs. Ensure the explanations are reviewed and approved by the appropriate individual. The reviewers should consider whether significant variances should be discussed with the Agency Head or designee.

If the base amount for the current fiscal year is between:	Materiality Scope is:
\$0 – \$50,000	\$1,000
\$50,001 – \$100,000	\$3,000
\$100,001 – \$500,000	\$4,000
\$500,001 – \$1,000,000	\$13,000
\$1,000,001 – \$5,000,000	\$18,000
\$5,000,001 – \$10,000,000	\$50,000
\$10,000,001 – \$50,000,000	\$80,000
\$50,000,001 – \$100,000,000	\$240,000
\$100,000,001 – \$300,000,000	\$365,000
\$300,000,001 – \$1,000,000,000	\$725,000

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## Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates, Continued

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### Fluctuation Analysis Guidelines and Materiality Scopes, Continued

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#### Fluctuation analysis example

Agency XXX has total assets of \$12,000,000 and total revenues of \$6,000,000. The base amount for determining materiality would be total assets of \$12,000,000. The materiality scope for the current fiscal year financial statement template would be \$80,000.

The following documents the variances that must be explained.

Line Item	Current Fiscal Year	Prior Fiscal Year	\$ Variance	% Variance	Explain
Other Assets	\$800,000	\$1,000,000	(\$200,000)	(20%)	Yes
Education Expenditure	\$400,000	\$350,000	\$50,000	14%	No
Rights and Privileges Revenue	\$350,000	\$330,000	\$20,000	6%	No

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### Other Guidelines

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#### Interfund assets and liabilities

Distinguish between **“Due to / from Other Funds”** and **“Interfund Receivables / Payables.”**

**“Due to / from Other Funds”** are amounts owed by one fund to another within the same agency for goods sold or services rendered.

**“Interfund Receivables / Payables”** are loans made by one fund to another either within the same agency or in between agencies.

Within an agency’s financial statements, interfund receivables must equal interfund payables and due to other funds must equal due from other funds. Since only selected funds are reported via financial statement templates, the interfund balances **may** not net to zero for the funds reported.

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## Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates, Continued

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### Other Guidelines, Continued

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#### Internal use computer software costs

Include any capitalized costs for internal use software in the equipment line item. See CAPP Manual Topic 30305, *Software Purchased or Developed for Internal Use* for additional information. Refer questions to Andrew Short, Financial Analyst, by phone at (804) 225-2002 or e-mail at [andrew.short@doa.virginia.gov](mailto:andrew.short@doa.virginia.gov) or Bobby Eddleton, Assistant Director of Financial Reporting, by phone at (804) 225-2257 or e-mail at [bobby.eddleton@doa.virginia.gov](mailto:bobby.eddleton@doa.virginia.gov).

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#### GASBS No. 51

**GASBS No. 51**, *Accounting and Financial Reporting for Intangible Assets*, requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of **GASBS No. 51** are effective for financial statements for periods beginning after June 15, 2009.

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